

SHELBY COUNTY, IOWA

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2012

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Shelby County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Roger Schmitz	Board of Supervisors	January, 2015
Delbert Hull	Board of Supervisors	January, 2013
James Burmeister	Board of Supervisors	January, 2013
Marsha Carter	County Auditor	January, 2013
Carolyn Blum	County Treasurer	January, 2015
Linda Fahn	County Recorder	January, 2015
Mark Hervey	County Sheriff	January, 2013
Marcus Gross	County Attorney	January, 2015
Tony Buman	County Assessor	January, 2016

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Officials of Shelby County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Shelby County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby County at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 18, 2013 on our consideration of Shelby County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

To the Officials of Shelby County

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis and the Budgetary Comparison Information on pages 3 through 3f and on pages 31 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Shelby County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other auditors previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. The other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Garnett, Ben, Kuhn & Co. P.C.

Atlantic, Iowa
January 18, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Shelby County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 2.0%, or approximately \$249,900, from Fiscal 2011 to Fiscal 2012. Property and other County Taxes increased approximately \$283,600. Operating Grants and Contributions decreased approximately \$149,700, and Capital Grants and Contributions increased by approximately \$57,800.
- Program expenses of the County's governmental activities were 12.4%, or approximately \$1,508,300, more in Fiscal 2012 than in Fiscal 2011. Roads and Transportation expenses increased approximately \$1,201,900. All other service areas recorded small changes: Public Safety and Legal Services - \$(94,900); Physical Health and Social Services - \$105,700; Mental Health - \$62,400; Government Services to Residents - \$26,700; and Administration - \$101,700.
- The County's net assets decreased 4.7%, or approximately \$947,800, from June 30, 2011 to June 30, 2012.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Shelby County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Shelby County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Shelby County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, and interest on long-term debt. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for E911 surcharge, emergency management services, empowerment and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Shelby County's combined net assets decreased from \$20.08 million to \$19.13 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)			
		June 30,	
		2011	2012
Current and Other Assets	\$	10,885	\$ 10,651
Capital Assets		16,626	16,456
Total Assets		27,511	27,107
Long-Term Liabilities		1,336	1,279
Other Liabilities		6,097	6,698
Total Liabilities		7,433	7,977
Net Assets			
Invested in Capital Assets, Net of Related Debt		15,837	15,764
Restricted		2,958	2,138
Unrestricted		1,283	1,228
Total Net Assets	\$	20,078	\$ 19,130

Net assets of Shelby County's governmental activities decreased approximately \$947,800, or 4.7% during the year. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets, since they are unavailable for future spending. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased from approximately \$1,283,100 at June 30, 2011 to approximately \$1,228,000 at the end of this year, a decrease of 4.3%.

This decrease of approximately \$55,100 in unrestricted net assets was a result of the decrease in the general fund balance. The County's investment in capital assets, net of related debt, decreased by approximately \$72,900 from the prior year. Additions to the County's capital assets totaled approximately \$943,900. Depreciation expense totaled approximately \$1,012,600 for FY 2012.

Changes in Net Assets of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2011	2012
Revenues		
Program Revenues:		
Charges for Services	\$ 505	\$ 584
Operating Grants, Contributions, and Restricted Interest	5,368	5,218
Capital Grants, Contributions, and Restricted Interest	799	857
General Revenues:		
Property and Other County Tax	5,215	5,498
Tax Increment Financing	207	171
Penalty and Interest on Property Tax	34	33
State Tax Credits	196	239
Unrestricted Investment Earnings	126	100
Total Revenues	12,450	12,700
Program Expenses		
Public Safety and Legal Services	1,796	1,701
Physical Health and Social Services	525	630
Mental Health	2,585	2,648
County Environment and Education	446	557
Roads and Transportation	5,075	6,277
Governmental Services to Residents	409	436
Administration	1,264	1,365
Interest on Long-Term Debt	39	34
Total Expenses	12,139	13,648
Change in Net Assets	311	(948)
Net Assets, Beginning of Year	19,767	20,078
Net Assets, End of Year	\$ 20,078	\$ 19,130

Revenues of the County's governmental activities increased 2.0%, or approximately \$249,900, from Fiscal 2011 to Fiscal 2012. Property and other County Taxes increased approximately \$283,600. Operating Grants and Contributions decreased approximately \$149,700, and Capital Grants and Contributions increased by \$57,800.

Fiscal 2012 saw an increase in total taxable valuation of \$25,374,075, which is a 4.10% increase, with the total tax asking increasing by \$341,206, or 7%.

The cost of all governmental activities this year was \$13.6 million, an increase of \$1.5 million when compared to last year. However, as shown in the Statement of Activities on page 6, the amount taxpayers ultimately financed for these activities was \$6.99 million because some of the cost was paid by those directly benefited from the programs (\$584,100) or by other governments and organizations that subsidized certain programs with grants and contributions (\$6,075,100). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased from approximately \$6,672,400 in 2011 to \$6,659,200 in 2012, principally due to the decrease in Operating Grants, Contributions, and Restricted Interest. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$6,041,300 in property and local option taxes (some of which could only be used for certain programs) and other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Shelby County completed the year, its governmental funds reported a combined fund balance of \$3.71 million, a decrease of approximately \$852,100 from last year's total of \$4.56 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund, the operating fund for Shelby County, ended Fiscal Year 2012 with a fund balance totaling \$1,353,835. This was a decrease from Fiscal Year 2011 of \$47,222.
- The Mental Health Fund balance at year end decreased by \$220,842 from the prior year. The Mental Health fund ended Fiscal Year 2012 with a balance of \$343,975.
- The Rural Services Fund ended Fiscal Year 2012 with a fund balance of \$210,674. This was an increase from Fiscal Year 2011 of \$44,427.
- The Secondary Roads Fund ended Fiscal Year 2012 with a fund balance of \$1,072,693, down \$674,741 when compared to the ending balance for Fiscal Year 2011. The County continues to work for Federal and State grants and shared funding projects, such as FEMA, EWP, etc., to help offset the maintenance costs to local taxpayers.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following a required public notice and hearing for all funds except Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on a cash basis. Shelby County amended its budget May 15, 2012 by \$974,650. The majority of the budget increases were in the Mental Health (\$400,000), Roads and Transportation (\$125,150), Physical Health and Social Services (\$120,000), and County Environment and Education (\$140,000) functions.

The County's total receipts of \$12,122,954 were \$500,652 more than budgeted. The County's total disbursements of \$12,519,020 were \$425,835 less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, Shelby County had approximately \$16.5 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is an approximate \$.1 million decrease (including additions and deletions) from last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30	
	2011	2012
Land	\$ 331	\$ 331
Construction in Progress	699	153
Buildings and Improvements	2,404	2,342
Equipment and Vehicles	2,721	2,863
Infrastructure	10,471	10,767
Total	\$ 16,626	\$ 16,456

The County had depreciation expense of \$1,012,608 in Fiscal 2012 and total accumulated depreciation of \$8,838,512 at June 30, 2012. The County's Fiscal Year 2012 capital budget included \$810,000 for capital projects, principally for bridge construction. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2012, Shelby County had \$710,000 in general obligation capital loan notes outstanding, compared to approximately \$810,000 of long-term debt at June 30, 2011, as shown below.

Outstanding Debt of Governmental Activities at Year End (Expressed in Thousands)		
	June 30	
	2011	2012
General Obligation Capital Loan Notes	\$ 810	\$ 710

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the 1-1-2010 assessed value of all taxable property in the County. Shelby County's outstanding general obligation debt is significantly below its constitutional debt limit of \$33.1 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Shelby County's elected and appointed officials and citizens considered many factors when setting the Fiscal Year 2013 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. In December of 2011, the County's unemployment was at 4.2% versus 3.9% a year ago. This compared with the State's unemployment rate of 5.8% and the national rate of 8.5%.

The union contracts expired June 30, 2012. The County was able to negotiate with all three unions for a \$1,250 increase for FY2013 and a \$1,500 increase for FY2014, with the employees contributing toward the dependent portion of their health insurance: 5% in FY2013 and 10% in FY2014.

All the different variables were taken into account when adopting the Fiscal Year 2013 Budget. Property taxes were increased by 10.7% to meet the County's operational expenses. Even with the FY2013 increase, the County's tax asking over the last 10 years has averaged -.7%. Not including property tax revenue, budgeted revenues for the General and Rural Services Funds remained approximately the same. Expected revenues from Local Option Sales Tax, Licenses & Permits, Charges for Services and Use of Money and Property were estimated at the same level due to the slow economy. As the County continues to try to hold the line on spending, budgeted expenditures in the General and Rural Services Funds increased only \$255,000, which includes increases in wages and benefits. For the past two years, the transfer to Secondary Roads was frozen at FY2010 level. This year the County increased that transfer to keep up with the necessary maintenance. There were no notable changes in other funds. The County is still deficit spending out of the General Fund. Over the next few years the County will work towards stabilizing that reserve to enable the County to cover any unforeseen expenditures. The final Fiscal Year 2013 Budget was adopted with a total tax rate increase of \$0.075 per \$1,000 of taxable valuation, due to the valuation increase and a total tax asking increase of \$554,877.

In November of 2010, the Shelby County voted to implement an additional \$2.50 E911 surcharge for two years, which was estimated to bring in an additional \$250,000, to help pay for the 2012 Narrowbanding and Radio Upgrade Project mandated by the Federal Government. Funds have been set aside for years in anticipation of this project, which has an estimated cost of \$592,928. This cost also includes help for the volunteer emergency services departments to complete their upgrades.

In early 2008, the law was changed to add county roads to the list of essential purposes for which counties could bond. During Fiscal 2008, Shelby County was the first county in Iowa to use GO Bonds to fund a 1.5 mile granular surfaced road upgrade in Douglas Township. The construction of a 6,000-head dairy in the area and the increased traffic on that road was the reason for the \$1.1 million dollar bond. The taxes collected in that Tax Increment Financing District continue to fund the bond payments. The County hopes to do an early pay off of the bonds by the end of FY2013.

The County continues to work on our declining bridge system, using whatever State and Federal funding is available.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Shelby County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marsha J. Carter, Shelby County Auditor, 612 Court St., Harlan, Iowa 51537-0650.

Shelby County
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 3,732,787
Receivables:	
Property tax:	
Delinquent	959
Succeeding year	5,798,000
Interest and penalty on property tax	948
Accounts	50,577
Accrued interest	546
Due from other funds	37,429
Due from other governments	231,126
Prepaid insurance	44,474
Inventories	736,714
Unamortized bond issuance costs	17,577
Capital assets (net of accumulated depreciation)	<u>16,456,088</u>
Total assets	<u>27,107,225</u>
Liabilities	
Accounts payable	369,752
Accrued interest payable	2,160
Salaries and benefits payable	88,273
Due to other governments	351,510
Deferred revenue:	
Succeeding year property tax	5,798,000
Other	88,578
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes	105,000
Compensated absences	569,025
Portion due or payable after one year:	
General obligation notes	<u>605,000</u>
Total liabilities	<u>7,977,298</u>

(continued next page)

Shelby County
Statement of Net Assets - continued
June 30, 2012

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 15,763,665
Restricted for:	
Rural services purposes	194,815
Mental health purposes	324,896
Secondary roads purposes	892,113
Other purposes	726,465
Unrestricted	<u>1,227,973</u>
Total net assets	<u>\$ 19,129,927</u>

See notes to financial statements.

Shelby County
Statement of Activities
Year ended June 30, 2012

		<u>Program Revenues</u>
	<u>Expenses</u>	<u>Charges for Service</u>
Functions/Programs:		
Governmental activities:		
Public safety and legal services	\$ 1,700,759	\$ 108,902
Physical health and social services	630,597	16,864
Mental health	2,647,701	--
County environment and education	557,198	198,445
Roads and transportation	6,276,834	--
Governmental services to residents	436,118	255,236
Administrative services	1,365,450	4,684
Interest on long-term debt	<u>33,649</u>	<u>--</u>
Total	<u>\$ 13,648,306</u>	<u>\$ 584,131</u>
General Revenues:		
Property and other county tax levied for:		
General purpose		
Penalty and interest on property tax		
Local option sales tax		
Tax increment financing		
State tax credits		
Unrestricted investment earnings		
Total general revenues		
Change in net assets		
Net assets beginning of year		
Net assets end of year		

See notes to financial statements.

Exhibit B

<u>Program Revenues</u>		
<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
\$ 63,667	\$ --	\$(1,528,190)
340,579	--	(273,154)
1,556,734	--	(1,090,967)
125,224	--	(233,529)
3,052,430	856,787	(2,367,617)
39,616	--	(141,266)
40,034	--	(1,320,732)
--	--	(33,649)
<u>\$ 5,218,284</u>	<u>\$ 856,787</u>	(6,989,104)
		5,163,002
		33,202
		335,390
		170,546
		239,272
		<u>99,869</u>
		<u>6,041,281</u>
		(947,823)
		<u>20,077,750</u>
		<u>\$ 19,129,927</u>

Shelby County
Balance Sheet
Governmental Funds

June 30, 2012

		<u>Special Revenue</u>	
	<u>General</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
Assets			
Cash and pooled investments	\$ 1,366,669	\$ 183,513	\$ 747,246
Receivables:			
Property tax:			
Delinquent	565	193	--
Succeeding year	3,353,000	1,416,000	--
Interest and penalty on property tax	948	--	--
Accounts	38,246	--	1,042
Accrued interest	546	--	--
Due from other funds	37,075	--	4,286
Due from other governments	60,544	27,161	42,612
Inventories	--	--	736,714
Prepaid insurance	<u>44,474</u>	<u>--</u>	<u>--</u>
Total assets	<u>\$ 4,902,067</u>	<u>\$ 1,626,867</u>	<u>\$ 1,531,900</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 39,756	\$ --	\$ 210,952
Salaries and benefits payable	35,709	--	39,514
Due to other funds	3,570	--	--
Due to other governments	43,167	--	918
Deferred revenue:			
Succeeding year property tax	3,353,000	1,416,000	--
Other	1,513	193	71,658
Compensated absences	<u>71,517</u>	<u>--</u>	<u>136,165</u>
Total liabilities	<u>3,548,232</u>	<u>1,416,193</u>	<u>459,207</u>

(continued next page)

<u>Special Revenue</u>		<u>Nonmajor Funds</u>	<u>Total</u>
<u>Mental Health</u>	<u>Tax Increment Financing</u>		
\$ 636,308	\$ 390,933	\$ 408,118	\$ 3,732,787
166	35	--	959
866,000	163,000	--	5,798,000
--	--	--	948
10,081	--	1,208	50,577
--	--	--	546
--	--	218	41,579
93,612	--	7,197	231,126
--	--	--	736,714
--	--	--	44,474
<u>\$ 1,606,167</u>	<u>\$ 553,968</u>	<u>\$ 416,741</u>	<u>\$ 10,637,710</u>
\$ 69,339	\$ 2,160	\$ 47,545	\$ 369,752
9,743	--	3,307	88,273
580	--	--	4,150
307,403	--	22	351,510
866,000	163,000	--	5,798,000
166	35	16,920	90,485
8,961	--	9,130	225,773
<u>1,262,192</u>	<u>165,195</u>	<u>76,924</u>	<u>6,927,943</u>

Shelby County
Balance Sheet
Governmental Funds - continued

June 30, 2012

		<u>Special Revenue</u>	
	<u>General</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
Fund balances:			
Nonspendable:			
Inventories	\$ --	\$ --	\$ 736,714
Prepaid insurance	44,474	--	--
Restricted for:			
Rural services purposes	--	210,674	--
Secondary roads purposes	--	--	335,979
Mental health purposes	--	--	--
Tax increment financing purposes	--	--	--
Capital projects purposes	--	--	--
Other purposes	--	--	--
Unassigned	<u>1,309,361</u>	<u>--</u>	<u>--</u>
Total fund balances	<u>1,353,835</u>	<u>210,674</u>	<u>1,072,693</u>
Total liabilities and fund balances	<u>\$ 4,902,067</u>	<u>\$ 1,626,867</u>	<u>\$ 1,531,900</u>

See notes to financial statements.

<u>Special Revenue</u>		<u>Nonmajor Funds</u>	<u>Total</u>
<u>Mental Health</u>	<u>Tax Increment Financing</u>		
\$ --	\$ --	\$ --	\$ 736,714
--	--	--	44,474
--	--	--	210,674
--	--	--	335,979
343,975	--	--	343,975
--	388,773	--	388,773
--	--	303,871	303,871
--	--	35,946	35,946
--	--	--	1,309,361
<u>343,975</u>	<u>388,773</u>	<u>339,817</u>	<u>3,709,767</u>
<u>\$ 1,606,167</u>	<u>\$ 553,968</u>	<u>\$ 416,741</u>	<u>\$ 10,637,710</u>

Shelby County
 Reconciliation of the Balance Sheet -
 Governmental Funds to the Statement of Net Assets

June 30, 2012

Total governmental fund balances (page 8)	\$ 3,709,767
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$25,294,600 and the accumulated depreciation is \$8,838,512.	16,456,088
Unamortized debt issue costs are not a current use of financial resources and, therefore are not reported in the funds.	17,577
Certain assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,907
Accrued interest payable, long-term liabilities, including general obligation notes, compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,055,412)</u>
Net assets of governmental activities (page 5)	<u>\$ 19,129,927</u>

See notes to financial statements.

Shelby County
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds

Year ended June 30, 2012

		<u>Special Revenue</u>	
	<u>General</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
Revenues:			
Property and other County tax	\$ 3,061,786	\$ 1,419,614	\$ 174,188
Interest and penalty on property tax	33,573	--	--
Intergovernmental	409,843	116,649	2,996,591
Licenses and permits	240,880	--	1,660
Charges for service	353,202	--	--
Use of money and property	99,869	--	--
Miscellaneous	41,883	--	153,464
Total revenues	<u>4,241,036</u>	<u>1,536,263</u>	<u>3,325,903</u>
Expenditures:			
Operating:			
Public safety and legal services	1,902,213	--	--
Physical health and social services	620,882	--	--
Mental health	--	--	--
County environment and education	35,008	151,005	--
Roads and transportation	--	--	4,593,683
Governmental services to residents	415,219	194	--
Administration	1,048,413	--	--
Debt service	--	--	--
Capital projects	--	--	547,598
Total expenditures	<u>4,021,735</u>	<u>151,199</u>	<u>5,141,281</u>
Excess (deficiency) of revenues over (under) expenditures	<u>219,301</u>	<u>1,385,064</u>	<u>(1,815,378)</u>

(continued next page)

<u>Special Revenue</u>		<u>Nonmajor Funds</u>	<u>Total</u>
<u>Mental Health</u>	<u>Tax Increment Financing</u>		
\$ 842,304	\$ 170,546	\$ --	\$ 5,668,438
--	--	--	33,573
1,587,660	--	143,702	5,254,445
--	--	--	242,540
--	--	27,719	380,921
--	--	49	99,918
9,250	--	58,420	263,017
<u>2,439,214</u>	<u>170,546</u>	<u>229,890</u>	<u>11,942,852</u>
--	--	5,469	1,907,682
--	--	--	620,882
2,669,056	--	--	2,669,056
--	--	361,044	547,057
--	--	--	4,593,683
--	--	9,040	424,453
--	--	--	1,048,413
--	130,989	--	130,989
--	--	307,142	854,740
<u>2,669,056</u>	<u>130,989</u>	<u>682,695</u>	<u>12,796,955</u>
<u>(229,842)</u>	<u>39,557</u>	<u>(452,805)</u>	<u>(854,103)</u>

Shelby County
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds - continued

Year ended June 30, 2012

	<u>Special Revenue</u>		
	<u>General</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
Other financing sources (uses):			
Sale of capital assets	\$ 2,000	\$ --	\$ --
Operating transfers in	200,000	--	1,140,637
Operating transfers out	<u>(468,523)</u>	<u>(1,340,637)</u>	<u>--</u>
Total other financing sources (uses)	<u>(266,523)</u>	<u>(1,340,637)</u>	<u>1,140,637</u>
Net change in fund balances	(47,222)	44,427	(674,741)
Fund balances beginning of year	<u>1,401,057</u>	<u>166,247</u>	<u>1,747,434</u>
Fund balances end of year	<u>\$ 1,353,835</u>	<u>\$ 210,674</u>	<u>\$ 1,072,693</u>

See notes to financial statements.

<u>Special Revenue</u>			
<u>Mental Health</u>	<u>Tax Increment Financing</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ --	\$ --	\$ --	\$ 2,000
9,000	--	459,523	1,809,160
<u>--</u>	<u>--</u>	<u>--</u>	<u>(1,809,160)</u>
9,000	--	459,523	2,000
(220,842)	39,557	6,718	(852,103)
<u>564,817</u>	<u>349,216</u>	<u>333,099</u>	<u>4,561,870</u>
<u>\$ 343,975</u>	<u>\$ 388,773</u>	<u>\$ 339,817</u>	<u>\$ 3,709,767</u>

Shelby County

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds to the Statement of Activities

Year ended June 30, 2012

Net change in fund balance - Total governmental funds (page 11) \$(852,103)

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate
those expenditures over the life of the assets.

Depreciation expense exceeded capital outlays in the current
year as follows:

Expenditures for capital assets	\$ 87,101		
Capital assets contributed by the Iowa Department of Transportation	856,787		
Depreciation expense	<u>(1,012,608)</u>	(68,720)

Proceeds from issuing long-term liabilities provide current
financial resources to governmental funds, but issuing debt
increases long-term liabilities in the Statement of Net Assets.

Repayment of long-term liabilities is an expenditure in the
governmental funds, but the repayment reduces long-term
liabilities in the Statement of Net Assets. Current year
repayments exceeded issues, as follows:

Principal paid			100,000
----------------	--	--	---------

In the Statement of Activities, the gain on the disposition of
capital assets is reported, whereas in the governmental funds,
the proceeds from the sale increase financial resources.

Book value of disposed assets		(101,285)
-------------------------------	--	---	----------

Because some revenues will not be collected for several months
after the County's year end, they are not considered available
revenues and are deferred in the governmental funds.

Change in deferred property tax revenues			129
--	--	--	-----

Some expenses reported in the Statement of Activities do not
require the use of current financial resources and, therefore,
are not reported as expenditures in governmental funds, as follows:

Compensated absences	(23,184)		
Accrued interest on long-term debt	270		
Debt issue costs	<u>(2,930)</u>	(25,844)

Change in net assets of governmental activities (page 6) \$(947,823)

See notes to financial statements.

Shelby County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012

Assets

Cash and pooled investments:

County Treasurer	\$ 1,994,686
Other County Officials	59,079

Receivables:

Property tax:

Delinquent	2,719
Succeeding year	14,639,000

Accounts	2,901
----------	-------

Special assessments	16,696
---------------------	--------

Due from other funds	253
----------------------	-----

Due from other governments	87,830
----------------------------	--------

Total assets	16,803,164
--------------	------------

Liabilities

Accounts payable	150,941
------------------	---------

Salaries and benefits payable	17,616
-------------------------------	--------

Due to other funds	37,682
--------------------	--------

Due to other governments	16,523,000
--------------------------	------------

Trusts payable	16,171
----------------	--------

Compensated absences	57,754
----------------------	--------

Total liabilities	16,803,164
-------------------	------------

Net assets	\$ --
------------	-------

See notes to financial statements.

Shelby County
Notes to Financial Statements

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Shelby County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Shelby County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: County Assessor's Conference Board, County Emergency Management Commission, County Joint E-911 Service Board, Harrison/Monona/Shelby County Empowerment Area and Shelby County Area Solid Waste Agency. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: West Central Iowa Sheltered Workshop (WESCO), Southwest Iowa Planning Council (SWIPCO) and Southwest Iowa Juvenile Detention Center.

Shelby County
Notes to Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes, and other debt attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

Shelby County
Notes to Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, mental retardation, and developmental disabilities services.

The Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

Additionally, the County reports the following funds:

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Shelby County
Notes to Financial Statements

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications - committed, assigned and then unassigned fund balances.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Shelby County
Notes to Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2011.

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2012, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Shelby County
Notes to Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Assets - Capital assets, which include property, equipment and vehicles, and intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Land, buildings, and improvements	25,000
Intangibles	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40 - 50
Building improvements	20 - 50
Land improvements	10 - 50
Infrastructure	10 - 50
Intangibles	5 - 20
Equipment and vehicles	3 - 20

Due to Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable - Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Shelby County
Notes to Financial Statements

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and sick leave hours, including employee benefits, for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for amounts paid to employees within sixty days after year end. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Secondary Roads and Conservation Funds.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Shelby County
Notes to Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the roads and transportation function.

NOTE 2 - CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Interest Rate Risk - The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit Risk - The County had no investments with credit risk.

Concentration of Credit Risk - The County places no limit on the amount which may be invested in any one issuer.

Shelby County
Notes to Financial Statements
June 30, 2012

NOTE 3 - DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2012 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Agency:	
	County Sheriff	\$ 16,891
	County Recorder	<u>20,184</u>
		37,075
Special Revenue:		
Secondary Roads	General	3,570
	Special Revenue:	
	Mental Health	327
	Agency:	
	Emergency Management	
	Services	321
	County Assessor	<u>68</u>
		4,286
Agency:	Special Revenue:	
County Sheriff	Mental Health	253
Special Revenue:	Agency:	
County Recorder's		
Records Management	County Recorder	<u>218</u>
Total		<u>\$ 41,832</u>

These balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Shelby County
Notes to Financial Statements
June 30, 2012

NOTE 4 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Mental Health	General	\$ 9,000
Special Revenue: Conservation	General	150,000
Capital Projects	General	309,523
General	Special Revenue: Rural Services	200,000
Special Revenue: Secondary Roads	Special Revenue: Rural Services	<u>1,140,637</u>
		<u>\$ 1,809,160</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Shelby County
Notes to Financial Statements
June 30, 2012

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 330,775	\$ --	\$ --	\$ 330,775
Construction in progress	698,688	401,682	947,677	152,693
Total capital assets not being depreciated/ amortized	<u>1,029,463</u>	<u>401,682</u>	<u>947,677</u>	<u>483,468</u>
Capital assets being depreciated/amortized:				
Buildings	4,032,719	32,398	--	4,065,117
Land improvements	63,667	--	--	63,667
Equipment and vehicles	7,592,629	715,905	551,979	7,756,555
Infrastructure, road network	12,184,213	741,580	--	12,925,793
Total capital assets being depreciated/amortized	<u>23,873,228</u>	<u>1,489,883</u>	<u>551,979</u>	<u>24,811,132</u>
Less accumulated depreciation/ amortization for:				
Buildings	1,688,847	91,561	--	1,780,408
Land improvements	3,183	3,184	--	6,367
Equipment and vehicles	4,871,630	472,820	450,694	4,893,756
Infrastructure, road network	1,712,938	445,043	--	2,157,981
Total accumulated depreciation/amortization	<u>8,276,598</u>	<u>1,012,608</u>	<u>450,694</u>	<u>8,838,512</u>
Total capital assets being depreciated/amortized, net	<u>15,596,630</u>	<u>477,275</u>	<u>101,285</u>	<u>15,972,620</u>
Governmental activities capital assets, net	<u>\$ 16,626,093</u>	<u>\$ 878,957</u>	<u>\$1,048,962</u>	<u>\$ 16,456,088</u>

Shelby County
Notes to Financial Statements
June 30, 2012

NOTE 5 - CAPITAL ASSETS - continued

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 42,336
Mental health	6,001
County environment and education	19,032
Roads and transportation	780,221
Governmental services to residents	17,734
Administrative services	<u>147,284</u>

Total depreciation/amortization expense - governmental activities	<u>\$1,012,608</u>
--	--------------------

NOTE 6 - DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General Fund	Services	\$ 43,167
Special Revenue:		
Secondary Roads		918
Mental Health		307,403
Conservation		<u>22</u>
		<u>308,343</u>
Total for governmental funds		<u>\$ 351,510</u>
Agency:		
County Assessor	Collections	\$ 464,816
Emergency Management		
Services		581,926
Schools		8,893,081
Community Colleges		547,851
Corporations		3,962,354
Townships		305,066
Auto License and Use Tax		312,321
County Hospital		752,475
All Other		<u>703,110</u>
Total for agency funds		<u>\$ 16,523,000</u>

Shelby County
Notes to Financial Statements
June 30, 2012

NOTE 7 - LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	General Obligation Capital Loan Notes Series 2007	Compensated Absences	Total
Balance beginning of year	\$ 810,000	\$ 526,225	\$ 1,336,225
Increases	--	42,800	42,800
Decreases	<u>100,000</u>	<u>--</u>	<u>100,000</u>
Balance end of year	<u>\$ 710,000</u>	<u>\$ 569,025</u>	<u>\$ 1,279,025</u>
Due within one year	<u>\$ 105,000</u>	<u>\$ 569,025</u>	<u>\$ 674,025</u>

In November, 2007, the County issued \$1,065,000 in general obligation capital loan notes to fund the costs of undertaking an urban renewal project, including improvements to a road leading to a new dairy. Tax increment financing revenues will be used to pay off the capital loan notes. A summary of the County's June 30, 2012 general obligation capital loan notes is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	3.70%	\$ 105,000	\$ 27,109	\$ 132,109
2014	3.75%	110,000	23,224	133,224
2015	3.80%	115,000	19,099	134,099
2016	3.85%	120,000	14,729	134,729
2017	3.875%	125,000	10,109	135,109
2018	3.90%	<u>135,000</u>	<u>5,265</u>	<u>140,265</u>
Total		<u>\$ 710,000</u>	<u>\$ 99,535</u>	<u>\$ 809,535</u>

During the year ended June 30, 2012, interest payments under the Series 2007 general obligation capital loan notes totaled \$31,009. The County retired \$100,000 of Series 2007 Notes.

Shelby County
Notes to Financial Statements

June 30, 2012

NOTE 8 - PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.38% (5.78% beginning July 1, 2012) of their annual covered salary and the County is required to contribute 8.07% (8.67% beginning July 1, 2012) of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were approximately \$313,000, \$276,800, and \$250,300, respectively, equal to the required contributions for each year.

NOTE 9 - RISK MANAGEMENT

Shelby County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

Shelby County
Notes to Financial Statements
June 30, 2012

NOTE 9 - RISK MANAGEMENT - Continued

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2012 were approximately \$84,300.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries insurance on the Shelby County Care Facility, and for employee blanket bond, and participates in the Iowa Municipalities Workers' Compensation Association (IMWCA) for Workman's Compensation insurance. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Shelby County
Notes to Financial Statements
June 30, 2012

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: As required by state law, the County offers health insurance to former employees who have retired after age 55, but have not reached Medicare eligibility. The fully insured plan is a part of the plan offered to all County employees, and the retiree must pay a health insurance premium equal to that charged for current employees. There are approximately 73 active employees and 1 retiree currently covered by the Plan.

Potential for Liability: The County currently finances a retiree benefit plan on a pay-as-you-go basis. A review of the County's current and potential future exposure to this requirement resulted in the conclusion that no material liability exists.

NOTE 11 - COMMITMENT AND CONTINGENCY

Construction

The County has entered into contracts totaling approximately \$358,000, primarily for bridge replacement and repairs to be completed during fiscal year 2013. As of June 30, 2012, the County has incurred \$152,693 on these projects. The projects will be financed with existing funds.

Subsequent Events

The County has evaluated all subsequent events through January 18, 2013, the date the financial statements were available to be issued.

Shelby County

Notes to Financial Statements

June 30, 2012

NOTE 12 - EARLY CHILDHOOD IOWA AREA BOARD

Shelby County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as part of the M/H/S Empowerment Agency Fund because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2012 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early Childhood	\$ 31,823	\$ --	\$ 31,823
Family support and parent education	--	172,865	172,865
Preschool support for low- income families	--	75,900	75,900
Quality improvement	--	40,125	40,125
Allocation for administration	1,675	10,676	12,351
Other grant programs	--	18,147	18,147
Total state grants	33,498	317,713	351,211
Interest on investments	22	201	223
Total revenues	33,520	317,914	351,434
Expenditures:			
Program services:			
Early Childhood	32,742	--	32,742
Family support and parent education	--	170,804	170,804
Preschool support for low- income families	--	74,061	74,061
Quality improvement	--	40,549	40,549
Other program services	--	23,817	23,817
Total program services	32,742	309,231	341,973
Administration	1,481	10,064	11,545
Total expenditures	34,223	319,295	353,518
Net change in fund balance	(703)	(1,381)	(2,084)
Fund balance beginning of year	2,588	30,891	33,479
Fund balance end of year	\$ 1,885	\$ 29,510	\$ 31,395

Findings related to the operations of the Early Childhood Iowa Area Board are included as item 12-II-K in the Schedule of Findings.

* * *

REQUIRED SUPPLEMENTARY INFORMATION

Shelby County

Budgetary Comparison Schedule of Receipts, Disbursements and
Changes in Balances - Budget and Actual (Cash Basis)

All Governmental Funds
Required Supplementary Information

Year ended June 30, 2012

	<u>Actual</u>	<u>Less Funds not Required to be Budgeted</u>	<u>Net</u>
Receipts:			
Property and other County tax	\$ 5,636,472	\$ --	\$ 5,636,472
Interest and penalty on property tax	33,573	--	33,573
Intergovernmental	5,466,273	--	5,466,273
Licenses and permits	242,455	--	242,455
Charges for service	383,932	--	383,932
Use of money and property	99,717	--	99,717
Miscellaneous	260,532	--	260,532
Total receipts	<u>12,122,954</u>	<u>--</u>	<u>12,122,954</u>
Disbursements:			
Public safety and legal services	1,903,138	--	1,903,138
Physical health and social services	593,754	--	593,754
Mental health	2,774,440	--	2,774,440
County environment and education	543,539	--	543,539
Roads and transportation	4,502,700	--	4,502,700
Governmental services to residents	416,722	--	416,722
Administration	1,051,289	--	1,051,289
Non-program	--	--	--
Debt service	131,259	--	131,259
Capital projects	602,179	--	602,179
Total disbursements	<u>12,519,020</u>	<u>--</u>	<u>12,519,020</u>
Excess (deficiency) of receipts over (under) disbursements	(396,066)	--	(396,066)
Other financing sources, net	<u>2,000</u>	<u>--</u>	<u>2,000</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(394,066)	--	(394,066)
Balance beginning of year	<u>4,126,853</u>	<u>--</u>	<u>4,126,853</u>
Balance end of year	<u>\$ 3,732,787</u>	<u>\$ --</u>	<u>\$ 3,732,787</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
\$ 5,568,209	\$ 5,568,209	\$ 68,263
22,000	22,000	11,573
5,060,776	5,335,776	130,497
222,984	222,984	19,471
265,580	265,580	118,352
92,020	92,020	7,697
115,733	115,733	144,799
<u>11,347,302</u>	<u>11,622,302</u>	<u>500,652</u>
1,938,457	1,977,457	74,319
527,785	647,785	54,031
2,473,265	2,873,265	98,825
412,924	552,924	9,385
4,274,850	4,400,000	(102,700)
439,109	442,109	25,387
1,052,456	1,099,956	48,667
--	10,000	10,000
131,359	131,359	100
720,000	810,000	207,821
<u>11,970,205</u>	<u>12,944,855</u>	<u>425,835</u>
(622,903)	(1,322,553)	926,487
<u>2,000</u>	<u>2,000</u>	<u>--</u>
(620,903)	(1,320,553)	926,487
<u>3,411,436</u>	<u>3,411,436</u>	<u>715,417</u>
<u>\$ 2,790,533</u>	<u>\$ 2,090,883</u>	<u>\$ 1,641,904</u>

Shelby County
 Budgetary Comparison Schedule -Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2012

	Governmental Fund Types		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 12,122,954	\$ (180,102)	\$ 11,942,852
Expenditures	<u>12,519,020</u>	<u>277,935</u>	<u>12,796,955</u>
Net	(396,066)	(458,037)	(854,103)
Other financing sources, net	2,000	--	2,000
Beginning fund balances	<u>4,126,853</u>	<u>435,017</u>	<u>4,561,870</u>
Ending fund balances	<u>\$ 3,732,787</u>	<u>\$ (23,020)</u>	<u>\$ 3,709,767</u>

See accompanying independent auditor's report.

Shelby County

Notes to Required Supplementary Information - Budgetary Reporting

June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$974,650. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the roads and transportation function.

SUPPLEMENTARY INFORMATION

Shelby County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

	Special Revenue			
	County Recorder's Records Management	Recorder's Electronic Transaction Fee	Conservation Land Acquisition Trust	Conservation
Assets				
Cash and pooled investments	\$ 17,242	\$ 815	\$ --	\$ 19,104
Receivables:				
Accounts receivable	--	--	--	--
Due from other funds	218	--	--	--
Due from other governments	--	--	--	7,197
Total assets	<u>\$ 17,460</u>	<u>\$ 815</u>	<u>\$ --</u>	<u>\$ 26,301</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 9,040	\$ --	\$ --	\$ 10,415
Salaries and benefits payable	--	--	--	3,307
Due to other governments	--	--	--	22
Deferred revenue:				
Other	--	--	--	16,920
Compensated absences	--	--	--	9,130
Total liabilities	<u>9,040</u>	<u>--</u>	<u>--</u>	<u>39,794</u>
Fund balances:				
Restricted for:				
Other purposes	8,420	815	--	(13,493)
Total fund balances	<u>8,420</u>	<u>815</u>	<u>--</u>	<u>(13,493)</u>
Total liabilities and fund balances	<u>\$ 17,460</u>	<u>\$ 815</u>	<u>\$ --</u>	<u>\$ 26,301</u>

(continued next page)

Special Revenue				
Resource Enhancement and Protection	Drug Forfeiture	Commissary	Flood and Erosion	Debt Service
\$ 9,974	\$ 11,986	\$ 5,463	\$ 12,283	\$ 320
--	--	1,208	--	--
--	--	--	--	--
--	--	--	--	--
<u>\$ 9,974</u>	<u>\$ 11,986</u>	<u>\$ 6,671</u>	<u>\$ 12,283</u>	<u>\$ 320</u>
\$ --	\$ --	\$ 19	\$ 1,011	\$ --
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>19</u>	<u>1,011</u>	<u>--</u>
9,974	11,986	6,652	11,272	320
<u>9,974</u>	<u>11,986</u>	<u>6,652</u>	<u>11,272</u>	<u>320</u>
<u>\$ 9,974</u>	<u>\$ 11,986</u>	<u>\$ 6,671</u>	<u>\$ 12,283</u>	<u>\$ 320</u>

Shelby County
Combining Balance Sheet - Continued
Nonmajor Governmental Funds

June 30, 2012

	<u>Capital Projects</u>	<u>Total</u>
Assets		
Cash and pooled investments	\$ 330,931	\$ 408,118
Receivables:		
Accounts receivable	--	1,208
Due from other funds	--	218
Due from other governments	<u>--</u>	<u>7,197</u>
Total assets	<u>\$ 330,931</u>	<u>\$ 416,741</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 27,060	\$ 47,545
Salaries and benefits payable	--	3,307
Due to other governments	--	22
Deferred revenue:		
Other	--	16,920
Compensated absences	<u>--</u>	<u>9,130</u>
Total liabilities	<u>27,060</u>	<u>76,924</u>
Fund balances:		
Restricted for:		
Other purposes	<u>303,871</u>	<u>339,817</u>
Total fund balances	<u>303,871</u>	<u>339,817</u>
Total liabilities and fund balances	<u>\$ 330,931</u>	<u>\$ 416,741</u>

See accompanying independent auditor's report.

Shelby County
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2012

	Special Revenue			
	County Recorder's Records Management	Recorder's Electronic Transaction Fee	Conservation Land Acquisition Trust	Conservation
Revenues:				
Intergovernmental	\$ --	\$ --	\$ --	\$ 132,988
Charges for service	2,799	--	--	24,920
Use of money and property	20	3	--	--
Miscellaneous	--	--	--	11,722
Total revenues	<u>2,819</u>	<u>3</u>	<u>--</u>	<u>169,630</u>
Expenditures:				
Operating:				
Public safety and legal services	--	--	--	--
County environment and education	--	--	329	341,461
Governmental services to residents	9,040	--	--	--
Capital projects	--	--	--	--
Total expenditures	<u>9,040</u>	<u>--</u>	<u>329</u>	<u>341,461</u>
Excess (deficiency) of revenues over (under) expenditures	(6,221)	3	(329)	(171,831)
Other financing sources (uses):				
Operating transfers in	--	--	--	150,000
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>150,000</u>
Net change in fund balances	(6,221)	3	(329)	(21,831)
Fund balances beginning of year	<u>14,641</u>	<u>812</u>	<u>329</u>	<u>8,338</u>
Fund balances end of year	<u>\$ 8,420</u>	<u>\$ 815</u>	<u>\$ --</u>	<u>\$ (13,493)</u>

(continued next page)

Special Revenue				
Resource Enhancement and Protection	Drug Forfeiture	Commissary	Flood and Erosion	Debt Service
\$ 10,714	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
11	15	--	--	--
--	347	6,758	--	--
<u>10,725</u>	<u>362</u>	<u>6,758</u>	<u>--</u>	<u>--</u>
--	--	5,469	--	--
10,000	--	--	9,254	--
--	--	--	--	--
--	--	--	--	--
<u>10,000</u>	<u>--</u>	<u>5,469</u>	<u>9,254</u>	<u>--</u>
725	362	1,289	(9,254)	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
725	362	1,289	(9,254)	--
<u>9,249</u>	<u>11,624</u>	<u>5,363</u>	<u>20,526</u>	<u>320</u>
<u>\$ 9,974</u>	<u>\$ 11,986</u>	<u>\$ 6,652</u>	<u>\$ 11,272</u>	<u>\$ 320</u>

Shelby County

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances - Continued
Nonmajor Governmental Funds

Year ended June 30, 2012

	<u>Capital Projects</u>	<u>Total</u>
Revenues:		
Intergovernmental	\$ --	\$ 143,702
Charges for service	--	27,719
Use of money and property	--	49
Miscellaneous	<u>39,593</u>	<u>58,420</u>
Total revenues	<u>39,593</u>	<u>229,890</u>
Expenditures:		
Operating:		
Public safety and legal services	--	5,469
County environment and education	--	361,044
Governmental services to residents	--	9,040
Capital projects	<u>307,142</u>	<u>307,142</u>
Total expenditures	<u>307,142</u>	<u>682,695</u>
Excess (deficiency) of revenues over (under) expenditures	(267,549)	(452,805)
Other financing sources (uses):		
Operating transfers in	<u>309,523</u>	<u>459,523</u>
Total other financing sources (uses)	<u>309,523</u>	<u>459,523</u>
Net change in fund balances	41,974	6,718
Fund balances beginning of year	<u>261,897</u>	<u>333,099</u>
Fund balances end of year	<u>\$ 303,871</u>	<u>\$ 339,817</u>

See accompanying independent auditor's report.

Shelby County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2012

	<u>County Offices</u>		<u>Agricultural Extension Education</u>
	<u>County Recorder</u>	<u>County Sheriff</u>	
Assets			
Cash and pooled investments:			
County Treasurer	\$ --	\$ --	\$ 2,678
Other County officials	25,690	33,389	--
Receivables:			
Property tax:			
Delinquent	--	--	34
Succeeding year	--	--	176,000
Accounts	1,086	--	--
Special assessments	--	--	--
Due from other funds	--	253	--
Due from other governments	--	--	--
	<u>--</u>	<u>--</u>	<u>--</u>
Total assets	<u>\$ 26,776</u>	<u>\$ 33,642</u>	<u>\$ 178,712</u>
Liabilities			
Accounts payable	\$ --	\$ --	\$ --
Salaries and benefits payable	--	--	--
Due to other funds	20,402	16,891	--
Due to other governments	6,374	580	178,712
Trusts payable	--	16,171	--
Compensated absences	--	--	--
	<u>--</u>	<u>--</u>	<u>--</u>
Total liabilities	<u>\$ 26,776</u>	<u>\$ 33,642</u>	<u>\$ 178,712</u>

(continued next page)

Schedule 3

<u>County Assessor</u>	<u>Emergency Management Services</u>	<u>Sanitary Disposal District</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>
\$ 256,918	\$ 644,869	\$ 99,359	\$ 142,331	\$ 7,754	\$ 42,729
--	--	--	--	--	--
41	--	--	1,750	97	625
210,000	--	--	8,749,000	540,000	3,919,000
--	1,800	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	87,611	--	--	--
<u>\$ 466,959</u>	<u>\$ 646,669</u>	<u>\$ 186,970</u>	<u>\$8,893,081</u>	<u>\$ 547,851</u>	<u>\$ 3,962,354</u>
\$ 72	\$ 1,744	\$ 79,654	\$ --	\$ --	\$ --
1,841	11,773	4,002	--	--	--
68	321	--	--	--	--
464,816	581,926	96,627	8,893,081	547,851	3,962,354
--	--	--	--	--	--
162	50,905	6,687	--	--	--
<u>\$ 466,959</u>	<u>\$ 646,669</u>	<u>\$ 186,970</u>	<u>\$8,893,081</u>	<u>\$ 547,851</u>	<u>\$ 3,962,354</u>

Shelby County

Combining Schedule of Fiduciary Assets and Liabilities - Continued
Agency Funds

June 30, 2012

	<u>Townships</u>	<u>Auto License and Use Tax</u>	<u>Brucellosis and Tuberculosis Eradication</u>
Assets			
Cash and pooled investments:			
County Treasurer	\$ 4,025	\$ 312,321	\$ 31
Other County officials	--	--	--
Receivables:			
Property tax:			
Delinquent	41	--	--
Succeeding year	301,000	--	2,000
Accounts	--	--	--
Special assessments	--	--	--
Due from other funds	--	--	--
Due from other governments	--	--	--
	<u>--</u>	<u>--</u>	<u>--</u>
Total assets	<u>\$ 305,066</u>	<u>\$ 312,321</u>	<u>\$ 2,031</u>
Liabilities			
Accounts payable	\$ --	\$ --	\$ --
Salaries and benefits payable	--	--	--
Due to other funds	--	--	--
Due to other governments	305,066	312,321	2,031
Trusts payable	--	--	--
Compensated absences	--	--	--
	<u>--</u>	<u>--</u>	<u>--</u>
Total liabilities	<u>\$ 305,066</u>	<u>\$ 312,321</u>	<u>\$ 2,031</u>

(continued next page)

<u>Monies and Credits</u>	<u>City Special Assessments</u>	<u>County Hospital</u>	<u>M/H/S Empowerment</u>	<u>Flex Benefits</u>	<u>E911</u>
\$ --	\$ 2,361	\$ 10,344	\$ 93,274	\$ 22,622	\$ 294,141
--	--	--	--	--	--
--	--	131	--	--	--
--	--	742,000	--	--	--
--	--	--	--	--	15
--	16,696	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>\$ --</u>	<u>\$ 19,057</u>	<u>\$ 752,475</u>	<u>\$ 93,274</u>	<u>\$ 22,622</u>	<u>\$ 294,156</u>
\$ --	\$ --	\$ --	\$ 61,879	\$ --	\$ 7,592
--	--	--	--	--	--
--	--	--	--	--	--
--	19,057	752,475	31,395	22,622	286,564
--	--	--	--	--	--
--	--	--	--	--	--
<u>\$ --</u>	<u>\$ 19,057</u>	<u>\$ 752,475</u>	<u>\$ 93,274</u>	<u>\$ 22,622</u>	<u>\$ 294,156</u>

Shelby County

Combining Schedule of Fiduciary Assets and Liabilities - Continued
Agency Funds

June 30, 2012

	<u>Advance Tax</u>	<u>Tax Sale</u>
Assets		
Cash and pooled investments:		
County Treasurer	\$ 58,190	\$ --
Other County officials	--	--
Receivables:		
Property tax:		
Delinquent	--	--
Succeeding year	--	--
Accounts	--	--
Special assessments	--	--
Due from other funds	--	--
Due from other governments	--	--
	<u> </u>	<u> </u>
Total assets	<u>\$ 58,190</u>	<u>\$ --</u>
Liabilities		
Accounts payable	\$ --	\$ --
Salaries and benefits payable	--	--
Due to other funds	--	--
Due to other governments	58,190	--
Trusts payable	--	--
Compensated absences	--	--
	<u> </u>	<u> </u>
Total liabilities	<u>\$ 58,190</u>	<u>\$ --</u>

See accompanying independent auditor's report.

Schedule 3

<u>Recorder's Electronic Transfer Fee</u>	<u>Total</u>
\$ 739	\$ 1,994,686
--	59,079
--	2,719
--	14,639,000
--	2,901
--	16,696
--	253
<u>219</u>	<u>87,830</u>
<u>\$ 958</u>	<u>\$ 16,803,164</u>
\$ --	\$ 150,941
--	17,616
--	37,682
958	16,523,000
--	16,171
<u>--</u>	<u>57,754</u>
<u>\$ 958</u>	<u>\$ 16,803,164</u>

Shelby County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2012

	<u>County Offices</u>		<u>Agricultural Extension Education</u>
	<u>County Recorder</u>	<u>County Sheriff</u>	
Assets and Liabilities			
Balances beginning of year	<u>\$ 30,315</u>	<u>\$ 31,071</u>	<u>\$ 177,945</u>
Additions:			
Property and other County tax	--	--	172,345
E911 surcharge	--	--	--
State tax credits	--	--	8,221
Office fees and collections	231,709	53,967	--
Auto licenses, use tax and postage	--	--	--
Assessments	--	--	--
Trusts	--	128,162	--
Miscellaneous	--	--	--
Total additions	<u>231,709</u>	<u>182,129</u>	<u>180,566</u>
Deductions:			
Agency Remittances:			
To other funds	91,094	--	--
To other governments	144,154	51,200	179,799
Trusts paid out	--	128,358	--
Total deductions	<u>235,248</u>	<u>179,558</u>	<u>179,799</u>
Balances end of year	<u>\$ 26,776</u>	<u>\$ 33,642</u>	<u>\$ 178,712</u>

(continued next page)

<u>County Assessor</u>	<u>Emergency Management Services</u>	<u>Sanitary Disposal District</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>
\$ 394,441	\$ 732,541	\$ 111,808	\$ 9,482,557	\$ 495,483	\$ 3,791,461
205,847	--	--	8,601,563	556,600	3,719,088
--	--	--	--	--	--
9,819	--	--	437,757	23,853	127,791
315	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	798,165	815,119	--	--	--
<u>215,981</u>	<u>798,165</u>	<u>815,119</u>	<u>9,039,320</u>	<u>580,453</u>	<u>3,846,879</u>
--	--	--	--	--	--
143,463	884,037	739,957	9,628,796	528,085	3,675,986
--	--	--	--	--	--
<u>143,463</u>	<u>884,037</u>	<u>739,957</u>	<u>9,628,796</u>	<u>528,085</u>	<u>3,675,986</u>
<u>\$ 466,959</u>	<u>\$ 646,669</u>	<u>\$ 186,970</u>	<u>\$ 8,893,081</u>	<u>\$ 547,851</u>	<u>\$ 3,962,354</u>

Shelby County

Combining Schedule of Changes in Fiduciary Assets and Liabilities - Continued
Agency Funds

Year ended June 30, 2012

	<u>Townships</u>	<u>Auto License and Use Tax</u>	<u>Brucellosis and Tuberculosis Eradication</u>
Assets and Liabilities			
Balances beginning of year	\$ 265,132	\$ 303,484	\$ 2,028
Additions:			
Property and other County tax	295,813	--	1,972
E911 surcharge	--	--	--
State tax credits	12,694	--	94
Office fees and collections	--	--	--
Auto licenses, use tax and postage	--	3,958,604	--
Assessments	--	--	--
Trusts	--	--	--
Miscellaneous	--	--	--
Total additions	<u>308,507</u>	<u>3,958,604</u>	<u>2,066</u>
Deductions:			
Agency Remittances:			
To other funds	--	135,387	--
To other governments	268,573	3,814,380	2,063
Trusts paid out	--	--	--
Total deductions	<u>268,573</u>	<u>3,949,767</u>	<u>2,063</u>
Balances end of year	<u>\$ 305,066</u>	<u>\$ 312,321</u>	<u>\$ 2,031</u>

(continued next page)

Schedule 4

<u>Monies and Credits</u>	<u>City Special Assessments</u>	<u>County Hospital</u>	<u>M/H/S Empowerment</u>	<u>Flex Benefits</u>	<u>E911</u>
\$ --	\$ 17,030	\$ 686,852	\$ 148,238	\$ 25,551	\$ 386,918
--	--	729,136	--	--	--
--	--	--	--	--	227,324
--	--	31,750	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	10,346	--	--	--	--
--	--	--	--	--	--
816	--	--	351,434	31,409	--
<u>816</u>	<u>10,346</u>	<u>760,886</u>	<u>351,434</u>	<u>31,409</u>	<u>227,324</u>
--	--	--	--	--	--
816	8,319	695,263	406,398	34,338	320,086
--	--	--	--	--	--
<u>816</u>	<u>8,319</u>	<u>695,263</u>	<u>406,398</u>	<u>34,338</u>	<u>320,086</u>
<u>\$ --</u>	<u>\$ 19,057</u>	<u>\$ 752,475</u>	<u>\$ 93,274</u>	<u>\$ 22,622</u>	<u>\$ 294,156</u>

Shelby County

Combining Schedule of Changes in Fiduciary Assets and Liabilities - Continued
Agency Funds

Year ended June 30, 2012

	<u>Advance Tax</u>	<u>Tax Sale</u>
Assets and Liabilities		
Balances beginning of year	\$ 54,096	\$ --
Additions:		
Property and other County tax	4,094	124,851
E911 surcharge	--	--
State tax credits	--	--
Office fees and collections	--	--
Auto licenses, use tax and postage	--	--
Assessments	--	--
Trusts	--	--
Miscellaneous	--	--
Total additions	<u>4,094</u>	<u>124,851</u>
Deductions:		
Agency Remittances:		
To other funds	--	--
To other governments	--	124,851
Trusts paid out	--	--
Total deductions	<u>--</u>	<u>124,851</u>
Balances end of year	<u>\$ 58,190</u>	<u>\$ --</u>

See accompanying independent auditor's report.

<u>Recorder's Electronic Transfer Fee</u>	<u>Total</u>
\$ <u>687</u>	\$ <u>17,137,638</u>
--	14,411,309
--	227,324
--	651,979
7,569	293,560
--	3,958,604
--	10,346
--	128,162
--	1,996,943
<u>7,569</u>	<u>21,678,227</u>
--	226,481
7,298	21,657,862
--	128,358
<u>7,298</u>	<u>22,012,701</u>
<u>\$ 958</u>	<u>\$ 16,803,164</u>

Shelby County

Schedule of Revenues by Source and Expenditures by Function -
All Governmental Fund Types

For the Last Nine Years

	Modified Accrual Basis			
	2012	2011	2010	2009
Revenues:				
Property and other				
County tax	\$ 5,497,892	\$ 5,215,187	\$ 5,191,493	\$ 5,297,292
Tax increment financing	170,546	207,367	399,815	335,158
Interest and penalty on				
property tax	33,573	36,535	33,851	33,076
Intergovernmental	5,254,445	5,706,279	5,551,934	5,184,318
Licenses and permits	242,540	228,293	234,838	233,589
Charges for service	380,921	369,928	381,407	340,943
Use of money and				
property	99,918	126,998	133,249	186,901
Miscellaneous	263,017	258,350	184,560	196,293
Total	<u>\$ 11,942,852</u>	<u>\$ 12,148,937</u>	<u>\$ 12,111,147</u>	<u>\$ 11,807,570</u>
Expenditures:				
Operating:				
Public safety and				
legal services	\$ 1,907,682	\$ 1,803,117	\$ 1,791,313	\$ 1,717,065
Physical health and				
social services	620,882	525,054	461,919	639,560
Mental health	2,669,056	2,581,235	2,104,122	2,236,326
County environment				
and education	547,057	449,106	430,653	426,924
Roads and transportation	4,593,683	4,368,341	4,651,541	3,895,860
Governmental services				
to residents	424,453	393,236	404,185	399,957
Administration	1,048,413	1,039,502	1,010,335	1,012,706
Non-program	--	--	--	--
Debt service	130,989	132,059	391,875	326,818
Capital projects	854,740	1,240,684	1,376,142	1,266,974
Total	<u>\$ 12,796,955</u>	<u>\$ 12,532,334</u>	<u>\$ 12,622,085</u>	<u>\$ 11,922,190</u>

See accompanying independent auditor's report.

Modified Accrual Basis				
2008	2007	2006	2005	2004
\$ 4,737,413	\$ 4,766,609	\$ 4,818,830	\$ 4,502,899	\$ 5,067,769
183,245	183,245	104,412	80,486	76,791
28,403	28,459	27,516	39,534	33,092
5,225,590	4,410,119	4,295,795	5,156,147	5,262,810
214,120	177,386	175,258	155,961	146,386
313,916	337,799	451,336	360,563	309,773
328,668	273,406	263,287	178,185	103,765
<u>287,209</u>	<u>275,494</u>	<u>278,586</u>	<u>196,995</u>	<u>148,858</u>
<u>\$ 11,318,564</u>	<u>\$ 10,452,517</u>	<u>\$ 10,415,020</u>	<u>\$ 10,670,770</u>	<u>\$ 11,149,244</u>
\$ 1,704,440	\$ 1,630,894	\$ 1,524,392	\$ 1,433,248	\$ 1,414,193
368,441	357,941	355,800	348,471	327,235
2,446,599	2,160,238	2,078,486	1,863,309	1,708,411
444,997	357,578	316,362	358,298	434,326
4,679,611	4,355,212	4,079,612	3,709,770	3,346,330
398,242	350,805	362,108	333,628	292,064
1,004,741	919,344	1,010,105	964,039	929,941
21,259	27,667	126,899	654,913	394,390
228,445	221,123	59,481	69,528	566,504
<u>368,616</u>	<u>343,285</u>	<u>892,627</u>	<u>1,250,941</u>	<u>1,201,839</u>
<u>\$ 11,665,391</u>	<u>\$ 10,724,087</u>	<u>\$ 10,805,872</u>	<u>\$ 10,986,145</u>	<u>\$ 10,615,233</u>

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Officials of Shelby County

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Shelby County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated January 18, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Shelby County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Shelby County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shelby County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Shelby County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis.

To the Officials of Shelby County

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item 12-I-A to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shelby County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Shelby County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Shelby County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Shelby County and other parties to whom Shelby County may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

C. M. Smith, Ben, Kuhn & Co. P.C.

Atlantic, Iowa
January 18, 2013

Shelby County
Schedule of Findings
Year ended June 30, 2012

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

12-I-A Tax Reconciliation: During our audit, we noted that the reconciliation between the taxes collected and the County revenue reports was not being performed on a monthly basis throughout the fiscal year or at year end.

Recommendation: For better accountability and to ensure accuracy of the County's reporting of revenues, we recommend that a reconciliation be made between the taxes collected and the revenue reports each month and at year end. Any reconciling items noted as part of the reconciliation process should be investigated and resolved.

Response: Subsequent to year end, a reconciliation of the taxes collected to the County revenue reports was completed for each month and at year end with no variance. This reconciliation will be done monthly in the future.

Conclusion: Response accepted.

Shelby County
Schedule of Findings - Continued
Year ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting

- 12-II-A Certified Budget: Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the roads and transportation function.

Recommendation: The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response: We will amend the budget when required in the future.

Conclusion: Response accepted.

- 12-II-B Questionable Expenditures: No expenditures were noted that meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 12-II-C Travel Expense: No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- 12-II-D Business Transactions: No business transactions between the County and County officials were noted.
- 12-II-E Bond Coverage: Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- 12-II-F Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.
- 12-II-G Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- 12-II-H Resource Enhancement and Protection Certification: The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- 12-II-I County Extension Office: The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2012 for the County Extension Office did not exceed the amount budgeted.

Shelby County
Schedule of Findings - Continued
Year ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting - Continued

12-II-J Payment of General Obligation Bonds: Certain general obligation notes were paid from the Special Revenue, Tax Increment Financing Fund. The Debt Service Fund is to be used to account for the payment of interest and principal on the County's general long-term debt.

Recommendation: The County should transfer from the Special Revenue, Tax Increment Financing Fund to the Debt Service Fund for future funding contributions. Payments of the notes should then be disbursed from the Debt Service Fund.

Response: We will consider transferring to the Debt Service Fund in the future as recommended.

Conclusion: Response accepted.

12-II-K Early Childhood Iowa Area Board: Shelby County is the fiscal agent for the Harrison, Monona, Shelby Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code Iowa. Financial transactions of the Area Board are included in the County's financial statements as the M/H/S Empowerment Agency Fund because of the County's fiduciary relationship with the organization.

During our testing, we noted that in several instances the supporting documentation received from the entities requesting reimbursement was not signed and dated by them. Also, only the Agency Director signed the claim voucher submitted to the County for payment.

Recommendation: We recommend that all documentation received for reimbursement be signed and dated by the entity providing the service to indicate that the service was provided, reimbursement claimed is properly documented and appropriate. The Agency Director should then review this support, document which programs the services are for, and sign and date noting approval for payment. After review with the Agency Board of Directors, the claim vouchers should be signed by a Board Member in addition to the Agency Director to document approval.

Response: Documentation of approval of claims will be done in the future.

Conclusion: Response accepted.

* * *